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State Awards New Contracts for Deferred Compensation Funds

The members of the Missouri Deferred Compensation Commission today announced new managers for the state's deferred compensation program. The new contract will expand employees' investment options and promises to increase the rate of return.

"Bidding the TPA and fixed annuity contracts gives the Commission a great opportunity to improve employee benefits," said Representative Mark Bruns, Chair of the Commission. "I feel employees will see significant improvements in the plan, and I encourage all employees to take advantage of them. I sincerely appreciate the hard work of the state employees and the Commission."

The commission awarded the third-party administrator (TPA) contract to CitiStreet and the Fixed Annuity contract to ING Life Insurance and Annuity Company, effective June 1, 2006. The commissioners are the trustees of the State employee's deferred compensation plan, which as of Sept. 30, 2005 held more than \$1.2 billion of employee-invested retirement funds.

The fixed annuity contract will guarantee participants a yield of approximately 5.25 percent from June 1, 2006 to Sept. 30, 2006, and at least 5 percent from Oct. 1, 2006 to May 30, 2007 and at least 4.75 percent until May 31, 2008.

A transfer of funds to the new fixed annuity will be automatically handled by CitiStreet who replaces PEBSCO as the TPA. Participants in the Plan will be contacted as to what decisions they need to make regarding the new options and the timeline for doing so, and who to contact for assistance. Participants will always have the option to freely move their funds to the location of their choice but do not need to take any action at this time.

New options include a Self-Directed Account that will provide participants with access to more than 7,000 mutual funds and many stocks and bonds. Also, for participants who would like more guidance, CitiStreet will offer specific investment advice as to which funds are most appropriate for each participant. Local representatives will continue to serve participants in their regions. The portfolio of mutual funds will be reviewed in the coming months, and any changes will be made only after careful study. Additionally, participants will be invited to play a role in the new plan by completing surveys and joining focus groups.

The Fixed Annuity will be a hybrid of a fixed annuity and a separate account. The Plan will now own the securities in the account and will receive 100 percent of the income from those securities except for a fixed fee of 0.9 percent. This arrangement will provide the participant with far greater diversification and should add approximately 0.10 – 0.60 percent to their yield.

CitiStreet is a joint venture between Citigroup and State Street Corporation and has become the fastest growing TPA in the government market, providing services to Texas, Michigan, South Carolina, Washington, Hawaii and their clients in the corporate sector include Anheuser-Busch and Boeing.

CitiStreet will replace PEBSCO, a division of Nationwide Retirement Systems. PEBSCO is (and CitiStreet will become) the conduit for the flow of your funds to the fixed annuities and mutual funds. The mutual fund line-up is not changing at this time.

The State of Missouri competitively bids its contracts periodically to determine if the state is receiving competitive rates and to modernize the features of the Plan. The Commission was not unhappy with PEBSCO and feels they have provided very good service to Plan participants.

Any employee receiving a paycheck has the option to participate in the deferred compensation plan. They may choose to deduct a portion of their includable income (gross pay minus cafeteria plan) up to \$15,000 in 2006. The State of Missouri currently provides an incentive match of \$25 per month for qualified participants. Deferrals and returns on deferred compensation investments are not taxed until they are withdrawn from the Plan.

The members of the Deferred Compensation Commission are: Representative Mark Bruns, Chair; Senator Michael Gibbons, Dick Hanson, Joyce Murphy and Douglas Morgan.

Participants will be updated as additional information becomes available.